



DEPARTMENT OF INSURANCE

STATE OF NORTH DAKOTA

Jim Poolman
Commissioner of Insurance

BULLETIN 2002-5

TO: All Property and Casualty Insurance Companies Writing Crop Hail Insurance in North Dakota

FROM: Jim Poolman, Commissioner of Insurance

DATE: December 30, 2002

SUBJECT: Marketing of Crop Hail Insurance in North Dakota 2003

SCOPE AND APPLICABILITY

This bulletin pertains to all insurance companies seeking to market policies for the coverage of crop hail insurance in the State of North Dakota for the 2003 season. Crop hail insurance includes policies providing crop hail coverage, companion hail coverages and supplemental crop products not subsidized by the Federal Crop Insurance Corporation.

FILING DEADLINE

All crop hail and companion hail rate filings for use in 2003 are due no later than March 1, 2003 (postmarked).

All new product (policy and form) filings, as well as revisions to existing products intended for use in 2003, are due no later than March 1, 2003 (postmarked).

FILING PROCEDURES

The North Dakota Insurance Department will review crop form and rate filings according to the criteria set forth in this bulletin. Except as otherwise provided herein, forms and loss costs for crop hail insurance shall be as filed by the National Crop Insurance Services (NCIS).

Form Filing

Forms once filed by a company need not be refiled on an annual basis. Companies who are filing new forms, form changes, and new product forms must adhere to the following steps:

1. Companies proposing to use NCIS forms must file by reference, indicating by memorandum a list of forms they will use (to include name, form number, and edition date).
2. Companies proposing to use independent policy forms can file a copy of each form along with a memorandum explaining how the policy differs from the NCIS form and what impact it makes on coverage and rate.
3. Companies proposing to use a deviated or modified NCIS form must file a copy of the form along with the memorandum explaining the change and how it affects the coverage and the rate.

Rate Filing

Department Bulletin 2001-6 dated December 3, 2001, indicated that North Dakota and NCIS had agreed to start a biennial filing procedure in 2001. While the Department and NCIS expect to continue this procedure in 2003, the current market conditions and concerns regarding potential market capacity have made it imperative that NCIS file new final average loss costs which are as current as possible. Accordingly, the Department is expecting to receive a filing in January 2003 from NCIS which will include data through the year 2002. The Department will review this filing on an expedited basis.

Under the biennial procedures it was not anticipated that companies would have to file this year if they did not need to. However, we are requesting each company file by March 1, 2003, the loss cost multipliers it intends to use for the 2003 season based upon the final average loss costs expected to be approved in this updated NCIS filing.

NCIS will file in 2003 for the 2004 and 2005 seasons.

Rates for independent supplemental MPCl products filed prior to the date of this bulletin need not be refiled. Companies wishing to file revised rates for these products may do so subject to the filing deadline.

Each company must adhere to the NCIS loss cost. No deviations or modifications of the NCIS loss cost will be accepted.

To insure consistency, the Department requires that each company use the same rounding scheme in the ratemaking process. Therefore, we will require each company to round their rates in the following manner:

Base rates less than \$4.00	Round to nearest \$.25
Base rates in the \$4.00 - \$16.00 range	Round to nearest \$.50
Base rates greater than \$16.00	Round to nearest \$1.00
Final Rates	Round to nearest \$.10

Rate filings must include the following:

1. The company's pure loss experience and expenses for the previous five years. (Refer to Crop Insurance Rate Filing Form NDPC200, Pages 3 and 4.)
2. The company's proposed loss cost multiplier, including the development and support for the multiplier, for the designated marketing year. (Refer to NDPC200, Page 2).

NOTE: Each insurer will be required to file three separate loss cost multipliers. One multiplier for each of the high, medium, and low loss cost ranges. The loss cost multiplier arrived at for the medium loss cost range will be the basis for development of the multiplier for the other two ranges. The medium loss cost multiplier is based on a company's expected loss ratio (ELR) limited to a maximum of 70% (30% expense factor for LCM of 1.429). From your developed ELR (medium range) subtract 5% to arrive at the ELR for your low range loss cost multiplier. From the ELR (medium range) add 5% to arrive at the ELR for the high range. This procedure is required of all companies. Refer to revised NDPC200, Page 2 for proper form and formulas.

The loss cost ranges are as follows:

Low range of FALCs	=	\$3.42 or less
Medium range of FALCs	=	\$3.43 to \$6.82
High range of FALCs	=	\$6.83 or greater

3. A cover letter or filing memorandum detailing the company's rationale for its request.
4. A copy of the proposed rates for new products (not NCIS based products) must include a filing memorandum with statistical and actuarial documentation as appropriate to support the request or an actuarial report prepared by NCIS describing the appropriate relativity to current NCIS based products.

DISCOUNTS

Cash Discounts

The Insurance Department will recognize cash discounts offered for receipt of premium before July 1 or for payment in full with application for new policies written after July 1, provided the discount does not exceed 5%.

The cash discount will be allowed on policy changes after July 1, if the original policy was paid on a cash discount basis and payment is received with the change.

The purchaser of a crop hail insurance policy is entitled to a cash discount in the event the company provides one, therefore, applications for crop hail insurance based upon filings providing the cash discount shall include notice to the purchaser specifically waiving his or her option to elect a cash discount in the event the purchaser declines to pay the premium by July 1.

If the purchaser has been properly informed, waives the cash discount, and does not make full payment at the time of application, the agent can take advantage of the cash discount by submitting full payment with the application to the company. The agent and the purchaser would, however, be in violation of the rebate statute if the agent were to subsequently pass on a cash discount to the purchaser in an agency billing.

Direct Marketing Discount

The Insurance Department will recognize direct marketing discounts. Direct marketing includes direct mail and Internet marketing programs.

Filings that request a direct marketing discount rule must include detailed actuarial support for the proposed rule and discount.

OTHER DISCOUNTS

The Department does not recognize discounts based upon total limits of liability of the policyholder or premium volume, MPCCI package, claims free history, or tie-ins with other lines of insurance such as farm owners, autos, etc.

COMPANION HAIL PRODUCTS

Endorsement 1997-NCIS 653 is intended to be used in conjunction with the crop hail policy form to provide optional and supplemental coverage to the underlying MPCCI or FCIC policy. Since the marketing of this form as a stand-alone policy is contrary to its intended usage, such marketing will not be permitted. This prohibition extends to other non-standard companion hail type policies as well.

MARKETING

The company can market previously approved contracts prior to the new season rates being approved by the Department, if they provide the purchaser with appropriate disclosures indicating the rates that will be applied to the contract will be those approved for that season, not the prior season and provide a procedure by which the purchaser can cancel the contract without penalty AFTER notification of the approved rate.

Companies that are not filing a rate revision during an off year are not subject to the above paragraph for that crop season.

CONTINUOUS POLICY

Some companies market contracts which are termed "Continuous Policies". The policies generally provide automatic coverage at last year's levels to new crops early in the season but require confirmation by a certain date in order to continue the contract. The Department has approved continuous policy contracts. Since a continuous policy provides for an automatic renewal of the contract, please be advised that this may preclude or eliminate the company's ability to nonrenew the contract using standard procedures.

DIVIDENDS

Please reference N.D. Admin. Code ' 45-05-02-03 regarding the use of dividends in the marketing of crop hail insurance. The Department will strictly enforce these rules which prohibit the use of dividends in the marketing of crop hail insurance.

SUPPLEMENTAL STATISTICAL INFORMATION

A form titled "Supplemental Statistical Information" (Crop Insurance Rate Filing Form NDPC200, Page 5) collects information about MPCl products and MPCl supplements separately from the crop hail/companion hail information. The form APremium Distribution by County@ (Crop Insurance Rate Filing Form NDPC200, Page 6) collects data on crop hail/companion hail based on premium volume by county. The Department requests that these be completed and submitted along with the filing.

FILING FEE

North Dakota does not require a filing fee for form and rate filings. However, if a company is domiciled in a state that requires filing fees of North Dakota companies, we do retaliate by requiring those companies to pay the same fee when filing in North Dakota.

TRANSMITTAL FORM

Effective July 1, 1998, the Department implemented a new Filing Transmittal Form requirement. This was announced in Bulletin 98-1 dated May 23, 1998. The bulletin contains general filing requirements and required Department filing forms.

For purposes of crop hail form or rate filings, each filing must include a completed APolicy, Form and Rate Filing Transmittal Form ND1000.® Filings without the transmittal form or an incomplete form will be returned to the company without review. Crop hail rate filings must also include a completed "Crop Insurance Rate Filing Form NDPC200" which consists of six pages.

Please refer to Bulletin 98-1 for copies of the required forms. Bulletins can be found on the Department web site at www.state.nd.us/ndins/.

The Department encourages companies to file in advance of the deadline if they are able. This will avoid potential delays and expedite the process.

Any company who needs assistance in preparing the transmittal form can call Mike Andring at (701) 328-4937.

PREVIOUS BULLETINS

Effective December 30, 2002, this bulletin supersedes the following Department bulletins:

Bulletin 2001-6

JP/njb